

PART 2018 - GENERAL

Subpart D - Policy and Procedure for Handling U.S. Treasury Checks and
U.S. Savings Bonds

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PART 2018 - GENERAL

Subpart D - Policy and Procedure for Handling U.S. Treasury Checks and
U.S. Savings Bonds

§2018.151 General.

This subpart prescribes the policy and procedure for handling of U.S. Treasury checks by designated agents of the Treasury Department, and reporting the loss, theft, destruction, mutilation, or nonreceipt of a check or U.S. Savings Bond purchased under the payroll deduction plan. NOTE: This subpart may be supplemented by United States Department of Agriculture (USDA)-National Finance Center (NFC) issuances.

§2018.152 Authority and responsibility.

The designated agent listed in §2018.153, authorized representatives, and others authorized to deliver checks in §2018.154 will be responsible for fully complying with this procedure and their designation. This responsibility includes designated agents assuring the receipt of all U.S. Treasury checks for which they have delivery and distribution responsibility.

(a) County, District, State, or National Offices. Program staff personnel with responsibility for delivery of checks will provide adequate safekeeping procedures, control, and lockup facilities for checks held on site pending delivery, and be responsible for the handling of checks forwarded to them by the designated agent. These officials will not communicate with the Regional Financial Center (RFC) concerning the handling of checks, except in cases of canceled loans, and as provided in §2018.154 (g).

(b) Employment offices. Designated staff in the National Office and State Offices, and Personnel Operations, St. Louis Branch, are designated as employment offices and are responsible for the execution of documents, maintenance of record copies of required documentation, and data entry through the Personnel Remote Entry System (PRES), as follows:

(1) Reporting to the NFC or RFC, as appropriate, the nonreceipt, loss, theft, destruction, or mutilation of a salary check, as prescribed in §2018.156 (h) and (i).

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General

RD Instruction 2018-D
§2018.152 (b) (Con.)

(2) Transmitting data from the following forms to NFC: Agriculture Department (AD)-349, "Declaration Sheet"; Standard Form (SF)-1199A, "Direct Deposit Sign-Up Form"; and Savings Bond Division (SBD)-2003, "Authorization for Purchase and Request for Change - United States Series EE Savings Bonds."

(3) Assisting employees in preparing reports and transmitting information to NFC regarding nonreceipt of bonds as prescribed in §2018.157 (c).

(4) Furnishing information, if requested, to employees reporting the loss, theft, or destruction of bonds, as prescribed in §2018.157 (d).

(c) Finance Office. The Finance Office will maintain liaison between Farmers Home Administration (FmHA) and the RFC for purposes of providing and maintaining accurate mailing instructions and initiating all FmHA actions required for the handling, cancellation, and/or replacement of stale dated, lost, mutilated, or destroyed loan, grant, or refund checks. Responsible units are as follows:

(1) Research & Reentry Unit (RRU), FC-360D2, Fiscal Accounting Branch. RRU is responsible for all actions required for checks and obligations relating to loan or grant program funds, except for refund checks.

(2) Accounts Settlement Unit (ASU), FC-340C3, Loan & Investor Accounting Branch. ASU is responsible for all actions relating to refund checks.

§2018.153 Designated agent.

The incumbent in the position listed in paragraph (a) of this section has been designated as an agent of the Treasury Department for delivering and handling U.S. Treasury checks that are processed through the Finance Office, as provided herein.

(a) Position. Director, Property and Supply Management Staff, and Deputy Director, Property and Supply Management (the latter to serve as alternate agent) FmHA, St. Louis, Missouri.

(b) Scope of activities. Loan and grant disbursements to program recipients and all refund checks processed through the Finance Office.

(c) Salary checks and bonds. Salary checks and U.S. Savings Bonds will be mailed by the NFC to addresses designated by employees.

§2018.153 (Con.)

(d) NFC payments. RD Instruction 2024-A sets forth procedures relating to the handling of checks which are issued through NFC purchase order systems.

§2018.154 U.S. Treasury checks processed through the Finance Office.

(a) Issuance of checks. Checks processed through the FmHA Finance Office will be prepared by the Kansas City RFC in accordance with instructions received from the Finance Office. The RFC will issue checks in the payee's name (no address) and mail the checks to the FmHA office designated by the FmHA Finance Office. Checks will be dated 3 working days from the date of the request. Checks for loans and grants will be issued in accordance with instructions contained in the Forms Manual Insert (FMI) for Forms FmHA 1940-1, "Request for Obligation of Funds," or FmHA 1944-51, "Multiple Family Housing Obligation-Fund Analysis." All other checks will be issued in accordance with instructions contained in applicable RD Instructions and/or FMIs.

(b) Stale dated checks. Under the provisions of Public Law 100-86, The Competitive Equality Banking Act of 1987, generally all U.S. Treasury checks must be negotiated within 12 months after the date of the check or become "stale dated." Stale dated checks are automatically cancelled by Treasury. Stale dated loan or grant checks received or held in field offices should be forwarded to RRU, FC-360D2, for disposition. Stale dated refund checks should be forwarded to ASU, FC-340C3, as defined in §2018.152 (c) and §2018.155 (c).

(1) If a stale dated check is erroneously deposited into the Concentration Banking System (CBS) and subsequently returned as nonnegotiable by the financial institution (FI), the field office should treat the check as defined by the FMI for Form RD 1951-48, "Concentration Banking Daily Activity Report," and forward the stale dated Treasury check and the FI's debit memo to the Finance Office with the Concentration Banking Daily Activity Report (DAR) package.

(2) The amount of the returned check should be included in the DAR to National Data Corporation to ensure that the FI is reimbursed for the returned item. The Cash Management Branch (CMB), Finance Office, will forward the Treasury check to RRU or ASU after the DAR package is reconciled.

(c) Delivery by FmHA office. Checks will be delivered to the respective payees (borrowers) in accordance with the appropriate loan making instruction. When check(s) are delivered to the FmHA office, the FmHA official will determine that the name of the payee and the amount(s) of check(s) coincide with the request on file. The FmHA official should be sure that the check is properly endorsed to insure payment to the intended recipient. An example of such a restrictive endorsement is:

"Pay to the order of (3rd party payee)"-
(contractor, developer, sub-contractor,
building supply house, etc.) for the
purpose of

(d) Check and obligation cancellation - loan and grant funds.

(1) To cancel a check only or to cancel a check and obligation, the responsible office (County, District, State, or National) will return the check in accordance with FMI instructions for Forms FmHA 1940-10, "Cancellation of U.S. Treasury Check and/or Obligation," or FmHA 1944-53, "Multiple Family Housing Cancellation of U.S. Treasury Check and/or Obligation," as prescribed in RD Instruction 1951-B. If a field office is not using the CBS, the check and original of the appropriate cancellation form will be mailed to the wholesale lockbox as prescribed in RD Instruction 1951-B.

(2) Checks not delivered within 20 working days of the date of the check will be cancelled and returned with Forms FmHA 1940-10 or FmHA 1944-53 as prescribed in RD Instruction 1951-B. Under no circumstances will an undelivered check remain outstanding for more than 20 working days after the date of the check. Copies of Forms FmHA 1940-10 or FmHA 1944-53 will be distributed in accordance with the FMI.

(3) Follow existing State Office guidelines in processing the reorder of funds through the field office terminal system. If a check request is processed within 2 days after the cancellation data is furnished the Finance Office, a sequence code of "2" must be utilized when entering the transaction through the terminal system. Use of the sequence code "2" will assure that the cancellation transaction is processed prior to the check request, thus keeping to a minimum the possibility of the check request rejecting from the system.

(4) For checks being cancelled using Form RD 1944-53, telephone the Finance Office at 314-539-6682 on the date that the check is deposited and provide the data completed on the form.

§2018.154 (d) (Con.)

(5) For checks being cancelled using Form RD 1940-10, telephone the Finance Office at 314-539-2424 between the hours of 7:30 a.m. and 4:15 p.m. (central time) on the date the check is deposited and provide the data completed on the form.

(6) FmHA office code, date of deposit, and verification code must be provided from Form RD 1951-48, "Concentration Banking Daily Activity Report," in addition to providing the data from the cancellation form.

(7) After the Finance Office receives Form RD 1940-10 or Form RD 1944-53, as appropriate, the borrower's account will be updated using the information contained in the form.

(e) Lost, mutilated, or destroyed checks for loan or grant funds - FmHA office action.

(1) When a check has been lost or destroyed, the FmHA official will notify RRU by telephone or memorandum and provide the following information:

(i) The name, case number, and address of the borrower;

(ii) The amount of the check;

(iii) Whether or not the check was endorsed and, if so, by whom and the manner of endorsement;

(iv) Whether or not a replacement check is required, and;

(v) Whether the loss occurred prior or subsequent to release of the check to the borrower. Checks are considered released to borrower when they are either delivered personally or placed in the mail for delivery to the borrower.

(2) Checks containing a restrictive endorsement placed thereon by FmHA personnel and mailed to the borrower's bank for deposit in a supervised bank account will not be considered as having been released to the borrower. The report, if made by telephone, will be confirmed promptly by memorandum signed in duplicate by the official in charge of the office.

(3) A loan check which is mutilated or defaced to such an extent as to render it nonnegotiable will be returned promptly to the Finance Office with a memorandum requesting the issuance of a new check. UNDER NO CIRCUMSTANCES WILL THE FmHA OFFICE PROCESS A NEW LOAN VOUCHER TO OBTAIN A CHECK TO REPLACE ONE WHICH HAS BEEN LOST OR DESTROYED. ALSO, THE RFC WILL NOT BE NOTIFIED OF SUCH LOST, MUTILATED, OR DESTROYED CHECK.

(f) Lost, mutilated, or destroyed checks for loan or grant funds - Finance Office action. Upon receipt of the report of a lost or destroyed check, RRU will complete SF-1184, "Unavailable Check Cancellation," furnishing a complete description of the check; a request that stop payment be placed; appropriate stop payment coding as defined by Treasury Financial Manual 4-7060.20c; and instructions for delivery of the replacement check, if required. In the case of a mutilated check, RRU will return such check to RFC and obtain a replacement therefor.

(1) Checks lost or destroyed prior to release to borrower: If the report from the County Supervisor or District Director indicates that the check was lost or destroyed prior to release to the borrower and that a replacement check is required, the SF-1184 should cite any restrictive endorsement placed on the check by FmHA and contain appropriate stop payment coding to indicate that the replacement check will be issued immediately.

(2) Checks lost or destroyed subsequent to release to borrowers: When checks have been delivered to payees, the risk associated with recovery of lost checks are necessarily greater. Checks endorsed in blank or restrictively endorsed are payable to the bearer. The replacement check will be certified for payment after the agency has been notified by the RFC that the original check is outstanding, and a stop payment order has been issued. In a hardship case, the State Office may call the Finance Office, RRU, at 314-539-2424 and request an immediate replacement.

(3) Checks lost or stolen which are to be cancelled: If the report from the County Supervisor or District Director indicates that a replacement check will not be required, the SF-1184 will be coded accordingly.

§2018.154 (Con.)

(g) Recovery of lost check. In the event the lost check is received or located prior to receipt of the replacement check, the County Supervisor or District Director will immediately notify the Finance Office. In most circumstances, the original check cannot be released to the payee. In the event the original check is received or located after receipt of the replacement check, the County Supervisor or District Director will forward the original check together with a statement of the facts to RFC for proper disposition. A copy of the letter to RFC will be furnished the Finance Office. The Finance Office should be contacted at 314-539-2424 to obtain the control number previously assigned to the SF-1184 and the proper RFC location address to be used in forwarding the original check and associated information to RFC.

§2018.155 Refund checks.

(a) Undelivered after 20 days. Refund checks that remain undelivered for more than 20 working days after the date of the check should be returned by field offices to CMB, FC-354C, for cancellation. In addition, an explanation of the circumstances involved in each case and instructions regarding subsequent disposition of the funds should be sent along with the check. CMB will coordinate the cancellation of these checks with ASU, who will be responsible for the disposition of funds.

(b) Lost or missing. Field offices will notify ASU, FC-340C3, when refund checks are lost or missing. Correspondence should include applicable information required by §2018.154 (e), if available, and a request for tracer action. If applicable, ASU will perform the steps outlined in §2018.154 (f).

(c) Stale dated checks. Stale dated refund checks returned to FmHA offices by payees should be forwarded to ASU, FC-340C3, along with instructions regarding the disposition of the funds.

§2018.156 Salary checks.

(a) Delivery of salary checks to employees. Employees may elect to have their salary checks sent to a mailing address or to have the checks deposited directly to their account in a financial institution.

(1) Employees electing to have their checks sent to their mailing address will execute Form AD-349.

(2) Employees electing to have their net pay check deposited directly in a financial institution will execute SF-1199A.

- (b) Allotment from salary checks for credit to savings account. Employees who wish to have payroll deductions for savings in specified amounts remitted regularly to a financial institution of their choice will execute SF-1199A.
- (c) Issuance and mailing. Salary checks for FmHA employees are mailed from RFCs to addresses designated by the employees.
- (d) Receipt of salary checks. Any salary check which is not received from the RFC the day it is normally received should be reported to the employment office. The employment office will report to NFC the nonreceipt of the check as prescribed in paragraph (h) of this section.
- (e) Delivery to employee. A check drawn on the Treasury of the United States in payment of the salary of an employee must be delivered to such employee unless written instructions for other delivery are provided.
- (f) Method of delivery. FmHA policy is that no USDA salary checks will be physically delivered to employees by designated agents.
- (g) Errors in salary checks.
- (1) Checks which contain an error in name or designation of payee that would preclude proper negotiation will be forwarded by the employee to his employment office together with a signed memorandum citing his social security number, the pay period involved, and a request for issuance of a replacement check. The employment office will forward the signed memorandum received from the employee together with the check to the NFC. The NFC will forward the incorrectly drawn check to the RFC and begin reprocessing procedures upon receipt of the SF-1098, "Schedule of Cancelled or Undelivered Checks from Treasury."
- (2) Salary checks drawn for an incorrect amount will be brought to the attention of the employment office. It is incumbent on the employee to notify the employment office immediately of any unexplained increase in his pay as well as any decrease. The employment office will contact the NFC, Inquiry Section, to determine the amount of the underpayment or overpayment, unless the difference is explained satisfactorily by Form AD-334, "Statement Of Earnings and Leave." Administrative errors which result in underpayments will be corrected expeditiously through normal NFC payroll processing procedures and as defined by Finance Instruction 301.4, "Finance Office Imprest Fund for Emergency Salary and Travel Advance Needs."

§2018.156 (g) (Con.)

(3) Overpayments or erroneous payments of pay represent claims against the employee and are subject to the provisions 5 U.S.C. 5584, 10 U.S.C. 2774, and 32 U.S.C. 716, which provide the standards and procedures for possible waiver of claims of the United States arising out of erroneous payments of pay to employees. An application for waiver may be initiated by an employee from whom a collection is sought, by an authorized official of the Agency, or by the Comptroller General of the United States. The "Conditions for Waiver" defined by 4 CFR Part 91.5 indicate that waivers may be granted only when collection would be against equity and good conscience and not in the best interests of the United States and other listed conditions are met. Generally, these criteria will be met by a finding that the erroneous payment occurred through administrative error and that there is no indication of fraud, misrepresentation, fault, or lack of good faith on the part of the employee, member, or other person having an interest in obtaining a waiver of the claim. For purposes of reviewing erroneous payments of pay to employees, the following guidelines should be followed:

(i) For processing minor overpayments (up to 10 percent of the employee's net pay), collection of the overpayment will ordinarily be considered as being in the best interest of the United States and not against equity and good conscience.

(ii) In those cases in which an overpayment occurred through administrative error and is not considered minor; there is no evidence of fraud, misrepresentation, fault, or lack of good faith on the part of the overpaid employee or anyone else having an interest in waiving the claim; and collection of the claim could be construed to be against equity and good conscience and not in the best interest of the United States, the employment office will promptly prepare a report summarizing in detail the facts upon which the possible waiver is based in accordance with the provisions of 4 CFR Part 92.

(iii) Applications for waiver will be submitted through the Deputy Administrator for Management to the Secretary. The Agency may disapprove waiver applications in amounts of \$1,500 or less, but the waiver applicant must be informed of the right to appeal the decision by requesting the

Agency to submit the waiver application to the General Accounting Office (GAO) for review. Waiver applications in excess of \$1,500 for which the agency recommends approval and all appeals, regardless of amount, must be submitted for consideration to the GAO.

(h) Recertification system. Recertification is the process of issuing a second check for the same payment and results from a payee claiming nonreceipt, loss, theft, mutilation, destruction, or forgery of U.S. Treasury checks.

(1) The process begins at noon on Friday following the Thursday payday.

(i) The employee reports that a check is late in arriving.

(ii) The employment office contacts (by telephone) the NFC Payroll Adjustments and Inquiry Section and reports checks which were not received on time.

(iii) At this time, NFC determines whether a check has been issued. If no check has been issued, the employment office is notified and advised to send a "Quick Service" request to NFC as specified in Chapter 13 of the Payroll/Processing Manual. The "Quick Service" process will result in manual processing procedures to produce a check if necessary.

(iv) For checks that have been issued, the NFC provides the employment office with information which may be needed if the check is not subsequently received by the employee.

(v) The employment office advises the employee of the status of the check based on information received from the NFC.

(2) If the employee has not received a check by the Tuesday following the Thursday payday, the employment office will telephone the NFC to request a replacement check.

(i) NFC will begin recertification procedures upon receipt of the telephone call from the Agency on Tuesday.

(ii) At this time, the employee must file and the Agency must certify Form AD-663, "Request for Issuance of Replacement Check," in accordance with chapter 13 of the NFC Payroll/Personnel Processing Manual.

§2018.156 (h)(2) (Con.)

(iii) When the replacement check is requested, NFC processes an SF-1184 to stop payment of the original check.

(3) The employee may negotiate the first check received. If the payee has both checks, the replacement check should be negotiated and the original check should be returned to the RFC.

(4) The Direct Deposit/Electronic Funds Transfer (DD/EFT) System transfers salary payments electronically from the U.S. Treasury Department, through the Federal Reserve System, to an employee's financial institution. DD/EFT enables direct deposit to an employee's account. If deposits are made to a financial institution which has not signed an arrangement for DD with the Federal Reserve, the RFC will issue the DD in the form of a check to the financial institution. If deposits fail to arrive in the bank account of the employee's financial institution, the NFC is notified by the employment office based on input from the employee and:

(i) For nonreceipt of a DD check, NFC contacts the financial institution to confirm nonreceipt and traces the check through the banking system. NFC issues a SF-1184 if a check was issued and then recertifies the payment.

(ii) For nonreceipt of EFT deposits, NFC interacts with the Kansas City RFC to correct the problem and then recertifies the payment.

(i) Recertification and replacement after receipt by employee. The procedures outlined in paragraph (h) of this section are also followed to initiate the replacement of salary checks which are lost, stolen, mutilated, defaced, or destroyed after receipt by the employee. Additional requirements are specified below:

(1) Any remaining portion or fragment of the original check must be returned to the NFC as an attachment to AD-663.

(2) If the NFC determines that the original check has been negotiated, the employee will be required to complete Financial Management Service (FMS)-1133, "Claim Against the United States For The Proceeds of A Government Check."

§2018.157 Savings bonds.

(a) Purchase. Employee execution of Form SBD-2003 authorizes the NFC to purchase U. S. Savings Bonds through salary allotment. The SBD-2003 will be prepared and forwarded to the employment office having jurisdiction over the employee. Employment offices will review SBD-2003 for completeness and accuracy. The data contained in SBD-2003 will be transmitted to the NFC via PRES and the original will be retained on file in the employment office. The Disbursing Center, Birmingham, Alabama issues bonds. Delivery of bonds may be expected not later than 30 days from the date of final payroll deduction for this purpose. Employment offices will not make inquiries of the NFC regarding issuance of bonds until after the previously stated time schedule for issuance and delivery clearly indicates there is need to followup with the NFC.

(1) An employee desiring to change the amount of the bond allotment or denomination, or the name and address of the owner or co-owner will execute a new SBD-2003.

(2) Payroll deductions for purchase of bonds will remain in effect until canceled by the employee by executing a new SBD-2003, or termination from Federal service.

(b) Verification of bonds. Recipients should examine each bond when received. Any bond drawn erroneously or incorrectly should be returned to the employee's employment office with a letter explaining the reason for such return and request issuance of a properly drawn bond. All communications and correspondence with the NFC regarding the correction process will be handled by the employment office as prescribed in the NFC Payroll/Personnel Processing Manual.

(c) Replacement bonds (nonreceipt).

(1) A bond that is not received within 30 days of the date of the final payroll deduction which provided an accumulated amount sufficient to purchase the bond should be reported, by letter signed by the owner, to the employment office. The letter should contain the following information:

(i) A statement that the bond was not received;

(ii) Name of the owner and co-owner or beneficiary, if designated;

§2018.157 (c)(1) (Con.)

(iii) Owner's social security number if he is the employee who purchased the bond. If not, include the employee's name and social security number;

(iv) Denomination of the bond;

(v) Mailing address for the replacement bond; and

(vi) A list containing the issue dates of bonds received immediately before and after the missing bond(s).

(2) Upon receipt of the signed letter from the owner, the employment office will contact the NFC Inquiry Section to obtain the inclusive number series in which the bond was issued, the issue date, SF-1166, "Voucher and Schedule of Payments," pay period in which issued, and any additional information needed. The employment office will assist the employee in completing Public Debt Form (PDF)-3062, "Claim For Relief On Account Of Loss, Theft Or Destruction Of United States Saving Bonds After Valid Issue But Prior To Receipt By Owner, Co-owner Or Beneficiary," and then forward the signed letter with the additional information to the RFC. The employment office will insert "SAVINGS BOND" in bold type in the top margin of the letter to expedite issuance of the bond.

(3) If a replacement bond is issued and the original bond is subsequently received, the original bond must be returned through the employment office to the Bureau of the Public Debt as prescribed in the NFC Payroll/Personnel Processing Manual. The substitute bond is the only one which will be honored by the Treasury Department at the time it is to be redeemed.

(d) Replacement bonds for lost, stolen, mutilated, defaced, or destroyed bonds.

(1) A request for a replacement bond should be prepared only if the bond was received but subsequently lost, stolen, mutilated, defaced, or destroyed to the extent of being nonnegotiable. In this case, the designated owner must send a signed letter directly to:

U.S. Treasury Department
Bureau of Public Debt
200 Third Street
Parkersburg, WV 26106

(2) The letter should identify the bond(s) to be replaced and should contain as much of the following information as possible:

- (i) The owner's name and social security number;
- (ii) Mailing address for the replacement bond;
- (iii) Name of co-owner or beneficiary, if designated;
- (iv) Denomination, issue date, and number of each bond; and
- (v) A concise statement describing the circumstances which require that a replacement bond be issued.

(3) The employment office will assist the employee in completing PDF-3062, or PDF-1048 "Application For Relief On Account Of Loss, Theft Or Destruction Of United States Savings And Retirement Securities," as applicable; and then forward the signed letter with the additional information to the RFC. If the nonnegotiable bond is in the possession of the owner, it must be attached to and forwarded with the letter. A copy of the letter should be furnished the employee's employment office.

(4) The employment office will furnish any information needed for the letter if requested by the employee or owner. If necessary, the employment office will contact the NFC Inquiry Section for such information.

(5) Whenever a bond is reported as lost or stolen but is subsequently recovered, it must be returned to the Bureau of Public Debt in Parkersburg, WV, when the replacement bond is received. The replacement bond is the only one which will be honored by the Treasury Department at the time it is to be redeemed.

(e) Credit balances.

(1) When an employee cancels a bond allotment, the salary check for the pay period in which the cancellation is effective will include the balance in the bond account.

(2) When an employee terminates service with the Federal Government, any accumulated balance to the employee's credit will be included in the employee's final salary check.